

UIL
501.07-5

INTERNAL REVENUE SERVICE

Department of the Treasury

Person to Contact: ✓

Telephone Number:

Address:

Date: MAY 16 1997

Dear Sirs:

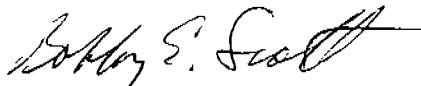
We have completed our examination of your Form 990 for the period ended . We have determined that your tax exempt status should be revoked. Revocation will be effective for the year beginning .

The enclosed Form 886-A states the law and basis for the adverse determination with which you have agreed.

This a final adverse determination of your exempt status under section 501(c)(7) of the Internal Revenue Code. Additionally, you are required to file Form 1120, U.S. Corporate Income Tax Return, for the year beginning and subsequent years.

Thank you for your cooperation.

Sincerely yours,



Bobby E. Scott
District Director

Enclosure: Form 886-A

Form 886-A	EXPLANATION OF ITEMS	Schedule No. or Exhibit
Name of Taxpayer		Year/Period Ended

Ratio of Nonmember Income to Total Income for purposes of Public Law 94-568. purposes.

Nonmember Income	338214	289354	283139
Total Income	516568	447001	436636
Nonmember Percentage of Gross Receipts	65.47%	64.73%	64.85%

LAW

Internal Revenue Code Section 501(c)(7) grants tax exempt status to clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Treasury Regulation 1.501(c)(7)-1(a) states in general, that this exemption extends to social and recreational clubs which are supported solely by membership fees, dues and assessments.

Treasury Regulation 1.501(c)(7)-1(b) states in part " A club which engages in business, such as making its social and recreational facilities available to the general public is not organized exclusively for pleasure, recreation, and other nonprofitable purposes, and is not exempt under section 501(a) of the Internal Revenue Code.

Internal Revenue Code Section 511(a)(1) imposes a tax for each taxable year on the unrelated business taxable income (as defined in section 512) of every organization described in paragraph (2). IRC 511(a)(2) describes organization's subject to this tax as organization's described under IRC 401(a) and 501(c).

Internal Revenue Code Section 512 provides the definitions of unrelated business taxable income for organization's described under Internal Revenue Code Section 501(c).

One of the exceptions to the general rule for determining unrelated business taxable income under IRC 512(a)(1) is IRC 512(a)(3). Special rules applicable to organizations described in paragraph (7), (9), (17), or (20) of section 501(c).

Section 512(a)(3)(A) of the Code provides that, in the case of an organization described in paragraph (7), (9), (17) or (20) of section 501(c), the term "unrelated business taxable income" means the gross income (excluding any exempt function income), less the deductions allowed by this chapter which are directly connected with the production of the gross income (excluding exempt function income), both computed with the modifications provided in paragraph (6), (10), (11), and (12) of subsection IRC 512(b).